



# 2013 Annual Report

On the path to a **BRIGHT** financial future!



# We'd Love to Serve YOU!

**“When you, your friends and/or your family are ready to SAVE money, we’re here to help!”**

- Over 30,000 FREE ATMs through the Co-Op Network (Surcharge & Foreign ATM Fee Free – Just like a TLC owned ATM)
- Free Checking and Personalized Debit Card
- Free Home Banking, Bill Pay, and Mobile Banking
- 5,000 Free Co-Op Shared Branches nationwide
- Mortgages, Home Equity, Home Improvement and as well as FHA, VA, MSHDA, and Rural Development
- Business Savings, Money Market, Checking, Loans & VISA
- Sprint Discount – 10% discount on all monthly recurring charges
- Proudly serving anyone that lives or works in Lenawee, Monroe, Hillsdale, Jackson and Washtenaw Counties





## MINUTES OF THE 58TH ANNUAL MEETING March 23, 2013 - The Landing, Tecumseh

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**Roll Call:** The Annual Meeting was called to order by Chairman Mark Spohr at 4:40 P.M.

- Directors present: Mark Spohr, Dave Miller, Linda Rosacrans, Jim Baldwin, Ron Wimple, Dick Egli and Dave Pittman.
- Supervisory Committee Members present: Chris Lane, John Clark and Linda Rosacrans and Patti Gerth
- Others present: Randy Smith-CEO/President, Mike Servoss, EVP of Administration, Roy Cadieux EVP of Operations and Bob Schrock VP Loans.

**Call for Ballots:** When it was determined all who voted had deposited their ballots in the ballot box, the ballot box was given to Mike Servoss for counting aided by Roy Cadieux and Bob Schrock.

**Approval of Minutes:** A motion to approve the minutes of the 2012 Annual Meeting was made by: 1st Linda Rosacrans; 2nd Dick Egli. Motion carried.

**Chairman's Report:** Mark Spohr stated as the economy slowly recovers TLC has managed to keep pace with the evolving financial landscape. We have continued to balance conservative decision making with a competitive growth mentality. We are continuing to grow membership, loans and deposits. With the changing economic landscape have come more regulatory demands, this includes requirement areas for board education and many areas of regulatory compliance. Even so, our most recent exams found TLC to be financially sound and worthy of a high rating. We are also very pleased with the fact TLC is recognized as "The Best Financial Institution" in the community. Our credit union enjoys a strong relationship with local schools, charities and other fine organizations. He closed stating the members are the owners and priorities will always be focused on you.

**President's Report:** Randy Smith stated that 2012 was again a successful one for TLC. Our member equity (capital) continued to grow as a percentage of total assets to an all time high of 13.6%. Indicating that we remained profitable in the extremely low interest rate environment. TLC ended 2012 with a return on assets (ROA) of .85% compared to our peer ratio of .70%. Our loan growth was over 7% showing growth in lending for the first time in many years. We now serve over 40,000 members with a membership growth of almost 3.5% in 2012. The future for your credit union is bright. Our federal and state regulators once again gave TLC the highest grades possible.

To better serve our members our pricing model changed and continues to be evaluated. Members who use TLC as their "primary financial institution" will and should get preferred pricing for their financial needs. Our goal is to reward those who use us most and to encourage others to consider TLC going forward.

The strategic goals are: 1. Maintain a strong financial position. 2. Increase membership with those who consider TLC their primary financial institution (PFI) 3. To increase the use of technology by

our members. In closing, he stated "we appreciate the business of members and hope you recommend your family and friends to TLC Community Credit Union. Community Owned Always!"

**Credit Committee Report:** Randy Smith gave the Credit Committee Report stating we were able to make loans to our members totaling nearly \$74.1 million. Business loan portfolio ended 2012 at \$4.2 million. Business loans in 2012 totaled \$387 thousand. Mortgage loans to purchase new homes and to re-finance loans from other institutions totaled \$25.3 million. Consumer loans totaled \$48.4 million. We managed to limit our losses using a proactive collection approach. Our collection department has done an excellent job of managing the ever increasing problems that unemployment and declining market conditions have created in our area.

**Treasurer's Report:** Dave Pittman gave the Treasurer's Report. He discussed the Comparative Financial Report. Total assets for 2012 were \$333,670,579. In 2011, total assets were \$325,866,089. Total Liabilities & Equity for 2012 was \$333,670,580 In 2011, the total was \$325,866,089. Net earnings for 2012 were \$2,822,721 in 2011 net earnings were \$2,994,813. Total Capital Equity was \$45,957,223 in 2012 with a Net Worth Ratio of 13.77%. In 2011, Capital Equity was \$44,287,547 and the Net Worth ratio was 13.59%.

**Supervisory Committee Report:** Patty Gerth gave the report for the committee. She introduced the members of the committee which consists of 3 members and an alternate member appointed by the board. She discussed the function of the Supervisory Committee. She explained the committee works closely with Lori Pawson the TLC Compliance Officer. TLC is commended for the excellent job of management and staff. In the state regulator audit it was found TLC was in compliance with the state rules and regulations. She explained the committee works with management in the selection of an independent audit firm, currently Rehmann CPA Firm, which does our annual audit. She stated she is pleased to report TLC complies with all State and Federal laws. Our financials are correct and your assets are secure.

**Old Business:** None

**New Business:** Randy Smith and Mark Spohr presented awards to Dick Egli and Linda Rosacrans for educational courses completed, Awards were presented to staff members for the number of years of service with TLC.

**Election results:** Jim Baldwin gave the results of the election. Ron Wimple and Dick Egli were re-elected to the board. Others running for election were Corey Hinman, Joe Murphy, Kevin Radant and Phillip Schaedler.

**Motion to adjourn:** A motion to adjourn was made by: 1st Ron Wimple; 2nd Ray Stockinger. Motion carried.

## PRESIDENT'S REPORT

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The fiscal year, the statistics, and the obstacles seem to be ever changing, but the primary focus for TLC Community Credit Union remains the same – Provide Members of Our Credit Union with the Best Financial Service Possible.

Seems like such a simple statement but in reality it is a very difficult objective. By year end we served over 41,000 members and their families with our five branch offices, thousands of Co-Op branches and ATMs nationwide, our home banking and mobile banking platforms, and over the telephone – yes – we still answer the telephone with REAL people.

We continue to the reach numbers we need to obtain in order to stay in business today and tomorrow. These metrics are either board and management objectives, or statistical objectives expected from State and Federal regulators. However, in my opinion our key to continued success is our staff's ability to look beyond the statistic, the objective, the measurable, and continue to provide the personalized, accurate, and efficient service that a member of TLC Community Credit Union has come to expect.

As you can see by reviewing the condensed financials in this annual meeting booklet, the credit union is performing quite well given the recession we have went through and the slow economic recovery we are experiencing.

Our capital – net worth (rainy day fund) has grown to over 14% of average assets. That is an excellent ratio, but our regulators (Federal Government) are increasing the requirement of a well-capitalized complex credit union – of which we are considered.

Our ROAA (return on average assets), is excellent. These two numbers are an indication of our income stream. As you know we are chartered as a Not-for-Profit Institution, but we are still expected by regulators to be profitable long term and to maintain a strong net worth ratio. Our federal and state regulators once again classified us with some of the highest grades possible.

Equipped with a well trained group of service oriented employees, we look forward to continuing to provide low cost financial products to members of TLC Community Credit Union. I am thankful each and every day for the effort all of our staff put forth to attain objectives set forth by our board of directors and to meet or exceed our expectations on service quality.

Members that use TLC as their Primary Financial Institution will, and should get preferred pricing for their financial service needs. Our goal with our pricing is to reward those

that use us most, and encourage those that don't use us as much to bring TLC more of their business.

At our annual strategic planning meetings this past fall we developed the following as our strategic direction statement...TLC Community Credit Union will focus on serving our membership, while maintaining a strong financial position. Our strategic goals in support of that statement are:

1. To maintain a strong financial position.
2. To increase membership with a focus on those who consider us their Primary Financial Institution (PFI).
3. To increase our member's utilization of technology. (This enables us to keep our pricing at low levels by being more efficient)

The objectives above are set by the board of directors. They show a defined focus towards growing the institution while keeping the credit union safe and sound for members to use not only now, but in the future.

None of this success would be possible if it wasn't for the membership using us as their primary financial service provider. We appreciate your business and hope that you will refer your family and friends to TLC Community Credit Union – Community Owned. Always!



Thank you for your business,  
*Randall Smith*  
President and CEO





## CHAIRMAN OF THE BOARD REPORT

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On behalf of the TLC Community Credit Union Board of Directors, I am pleased to say that as we enter into this next year, TLC remains strong and well positioned as we move forward. This past year, TLC has operated in an improving, but still very difficult economic environment. However, TLC has simultaneously achieved exceptional profitability while reducing risk.

2013 was a year of continuous positive action. Several initiatives and innovations outlined in the Business Plan were achieved and/or exceeded. This along with a number of other activities throughout the year, allowed us to grow in several areas and be better positioned for the future.

The Business Plan for 2014 is very similar as the previous year, as we continue to focus on key initiatives such as:

- Maintaining a strong financial position by continuing to have a strong net worth, controlling operating expenses and assessing fee income.
- Increasing membership with a focus on Primary Financial Institutional members.
- Increasing the utilization of technology which includes Home Banking, Bill Pay, Mobile Banking and eStatements.

The above goals support delivering true member focus for both our current and potential members. It will also allow TLC to take advantage of various opportunities and challenges, which are ever present.

Governance and Regulations are hot topics in our industry. The board is committed to sound governance

best practices, complying with all applicable regulatory requirements and has strived to seek the required education to uphold the mission and values of TLC. In this high speed, ever changing world, it would be easy to lose our direction. Even as our credit union seeks to offer more convenience to the members, we must never lose track of our core mission which is to serve people.

As always, I want to thank my fellow board members, the Supervisory Committee members, as well as the entire organization, for their dedication and commitment to member service, which allowed TLC to again receive recognition, as the “Best Financial Institution” in Lenawee County. And last, but certainly not least, I want to thank you our members for entrusting TLC with your savings and investments and allowing us to partner with you, to achieve your financial success.

In closing, I wish to personally thank Dave Pittman for his 10 years of volunteer service. Dave first served on the Supervisory Committee and for the past several years as a board member, most recently serving as the Board Treasurer.



Regards,  
*Mark D. Spohr*  
Board Chairman



## CREDIT COMMITTEE REPORT

The Credit Committee is extremely pleased to report another productive year in the area of lending. We were able to make loans to our members totaling \$61,352,618.00.

Our Business Loan Department made loans totaling \$2.9 million. The business loan portfolio ended the year at nearly \$6 million in total outstanding loans.

The Mortgage Department continued to make loans to our members to purchase new homes and to re-finance loans from other institutions. Mortgage and Home Equity loans made during 2013 totaled \$19.5 million.

Our Loan Officers made consumer loans to members totaling \$38.8 million. The funds from these loans were used to purchase new and used vehicles, boats, motorcycles, motor homes, and many other items. This achievement was a direct result of our competitive loan products and the hard work and dedication of our lending staff.

Our Collection Department has continued to do an excellent job of mitigating our shortfalls using a proactive, straightforward collection approach. They accomplish this task while keeping in mind the personal aspects of the job.

The Credit Committee would like to thank the entire credit union staff for sharing TLC's commitment of extending more financial opportunities and creating more value for our members.

### LOANS MADE – 2013

Home Equity	\$ 1,846,198
Mortgage	\$ 17,701,901
New & Used Auto	\$ 22,845,393
Business Loans	\$ 2,938,964
All Other Loans	\$ 16,020,162

### TOTAL LOANS MADE

**\$ 61,352,618**



*Roy Cadieux*  
Executive Vice President of Operations

## SUPERVISORY COMMITTEE REPORT

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The Supervisory Committee meets every other month with Lori Pawson, Compliance Officer of TLC. Chris Lane and John Clark are on the committee, along with me, Patty Gerth. Joe Murphy and Corey Hinman are alternate committee members.

It was our duty this past year to investigate external auditing firms to audit TLC as our term with Rehmann and Associates was up for renewal. We collectively advised to board and management the firm of Cindrich, Mahalak and Company to be our new auditing firm, and board and management agreed with our advisement.

Department of Insurance and Financial Services (DIFS) and National Credit Union Association (NCUA) were at TLC in January. Upon completion of their annual audit, TLC is in compliance with state rules and regulations.

All staff, as well as the Board of Directors and Supervisory Committee, have taken the BSA (Bank Secrecy Act) training requirements.

The Supervisory Committee is pleased to report that TLC's records are accurately maintained, established policies are followed and the member's assets are secure.



*Patty Gerth*  
*Supervisory Committee Chair*

## BOARD OF DIRECTORS CERTIFIED CREDIT UNION VOLUNTEERS (CCUV)

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Congratulations to our board members, Mark Spohr and Ron Wimple, who completed a one-week training and fulfilled all the requirements for The Credit Union National Association Volunteer Certification Program. They were recognized for their

dedication and effort in continuing their education so that they could better serve credit union members. Jim Baldwin was re-certified having previously completed the volunteer certification program.



Mark Spohr



Ron Wimple



Jim Baldwin

## COMPARATIVE FINANCIAL REPORT

<b>ASSETS</b>	<b>(UNAUDITED) 2013</b>	<b>2012</b>
Outstanding Loans, Net	\$199,467,976	\$192,959,909
Cash and Investments	\$127,321,248	\$126,643,933
Property and Equipment, Net	\$7,951,788	\$8,291,790
Other Assets	\$5,874,092	\$5,774,948
<b>TOTAL ASSETS</b>	<b>\$340,615,104</b>	<b>\$333,670,580</b>
 <b>LIABILITIES &amp; SHARE HOLDER EQUITY LIABILITIES</b>		
Accrued Interest & Dividends	\$155,911	\$200,258
Borrowed Funds	\$0	\$0
Other Liabilities	\$2,281,095	\$1,833,290
<b>TOTAL LIABILITIES</b>	<b>\$2,437,006</b>	<b>\$2,033,548</b>
 <b>MEMBER EQUITY</b>		
Shares-Drafts-Clubs-Money Mkt	\$194,719,082	\$182,514,197
Certificate of Deposits / IRAs	\$95,897,387	\$103,165,608
Undivided Earnings and Reserves	\$47,561,629	\$45,957,227
<b>TOTAL MEMBER EQUITY</b>	<b>\$338,178,098</b>	<b>\$331,637,032</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$340,615,104</b>	<b>\$333,670,580</b>
 <b>INCOME AND EXPENSES</b>		
Gross Income	\$14,510,685	\$16,449,342
Less Dividends and Interest	\$1,538,555	\$2,002,932
Less Operating Expense	\$9,612,585	\$11,623,682
<b>NET EARNINGS</b>	<b>\$3,359,545</b>	<b>\$2,822,728</b>
 <b>INFORMATIONAL PURPOSES ONLY</b>		
Total Capital Equity	\$47,561,629	\$45,957,227
Net Worth Ratio	13.96%	13.77%



## 2014 THREE-YEAR TERM BOARD MEMBERS

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Each year in January we notify the membership of the upcoming Annual Meeting of the Membership and request members to contact TLC if they are interested in running for an open position on TLC's Board of Directors. The nominating committee then puts all interested candidates through an interview as well as security and background checks. This year we had three open positions and three interested, qualified candidates. Therefore, with no one running opposed, the following individuals will be placed on the Board of Directors, filling the three open positions: Mark Spohr, Dave Miller and Patty Gerth. They are being elected by acclamation and will serve a three-year term.



### Mark Spohr

Mark grew up in Tecumseh and has been a member of TLC Community Credit Union for over 50 years. He has served as a volunteer at TLC since 1993, recently receiving his CUNA Volunteer Certification and currently serves as the Board Chairman. He earned a B.A. from Malone University. Mark retired from Tecumseh Products Company as an Engineering Director. Mark and his wife Terri live in Tecumseh. They have two sons and two grandchildren.



### Dave Miller

Dave has been a member of the TLC Community Credit Union since 1979. Dave has served the credit union since 1981. He has served as Chairman of the Board, and has had positions on the Human Resources, Supervisory and Marketing Committees. Dave and his wife Patricia are retired from General Motors and live in Tecumseh. They have one daughter and two grandchildren.



### Patty Gerth

Patty has been a member of the TLC Community Credit Union since 1984. She has served on the Supervisory Committee since 2006 and has been the Supervisory Committee Chair since 2012. Patty earned her Associates Degree in Business at Jackson Community College. She worked at Primore, Inc. for 35 years and retired in 2010. Patty lives in Addison and has a son and daughter.

## TLC BUSINESS TEAM

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TLC Community Credit Union announces that our Business Team is ready to serve businesses in Lenawee, Monroe, Jackson, Hillsdale and Washtenaw counties. The Business Team consists of John Carlson, Rachel Bauman, Derek Henning, and Katey Morgan (left to right in the picture below).

At TLC Community Credit Union we're in the business of offering commercial products and services that will help save time and money. TLC delivers personalized service and expertise designed to help your business grow! TLC offers easy to understand account structures with very competitive interest rates and fees. Our Merchant Services program is one of the best! Additional TLC benefits include: interest bearing business savings, checking accounts with a free first order of checks and deposit supplies, free online banking including bill pay and e-statements, free night drop service, sweep

accounts, automated clearing house processing, and custom debit cards – put your company's logo right on your card! Our competitive commercial loan rates and terms can be tailored to fit your business' unique needs.

As a member-owned, not-for-profit organization we offer competitive loan rates, a range of outstanding products for varying business needs, and service with a personal and professional touch. Call us today at 517-263-9120 and ask to speak to a Business Team member so that we can start saving you and your business money today! We are in the business to serve you.

# WE'RE IN THE BUSINESS



SEE US  
FOR YOUR  
COMMERCIAL  
NEEDS



# On the path to a **BRIGHT** financial future!

## 59TH ANNUAL MEETING OF THE MEMBERSHIP

March 22, 2014, 4:00 PM  
Lenawee County Fairgrounds, Adrian

### BOARD OF DIRECTORS / COMMITTEE MEMBERS

Chairman of the Board	Mark Spohr
Vice Chairman	Ron Wimple
Treasurer	Dave Pittman
Secretary	Jim Baldwin
Directors	Richard Egli
	Dave Miller
	Linda Rosacrans
Supervisory Committee	Patty Gerth, Chair
	Chris Lane
	John Clark
	Corey Hinman - Alternate
	Joe Murphy - Alternate

### SENIOR MANAGEMENT

President, Chief Executive Officer	Randall Smith
Executive Vice President, Administration	Michael Servoss
Executive Vice President, Operations	Roy Cadieux
Vice President, Operations	Robert Schrock

### MANAGERS

Assistant Vice President & Information Technology Manager	Paul Corazzol
Accounting Manager	Mary McKinney
Collections Manager	Susan Ruetz
Compliance & Security Officer	Lori Pawson
Human Resources Manager	Deb Elliott
Marketing Manager	Suzanne Miller
Beecher Branch Manager	Kim Morin
Blissfield Branch Manager	Alycia Demey
North Adrian Branch Manager	Alisha Morton
Tecumseh Branch Manager	John Carlson
Assistant Branch Manager-Main	Lisa Williams
Assistant Branch Manager-North Adrian	Dee Garcia
Assistant Branch Manager-Tecumseh	Tino Rebottaro
Youth Financial Literacy Manager	Barb Rupley
Inbound/Outbound Call Center & Indirect Lending Manager	Lorie Easton